Weekly Economic Review

Housing starts bounce back

Housing Starts

Housing starts prove resilient

Alberta housing starts increased to 43,122 (annualized) in November. The monthly gain was concentrated in multi-family starts, led by apartments while single family starts were at the lowest level since March 2011. This was the first month since June that starts topped 40,000. Compared with November 2014, Alberta housing starts were up 10% but remain 5.9% below last year's level after eleven months. Edmonton's housing starts have proven resilient through 2015. They accounted for most of November's increase as starts jumped to over 20,000, the highest level since March. Calgary starts increased to over 16,000, the highest level since June.

Canadian housing starts increased 7.2% m/m to 211,916 (annualized) in November and are up 3.3% year-to-date. Ontario and Alberta accounted for most of the monthly gains.

New House Price Index

Limited pressure on home prices

Prices for new houses in Alberta have been largely unchanged over the past year. Despite a small monthly uptick, year-over-year growth in the province's New Housing Price Index (NHPI) declined slightly by 0.2% y/y. The weakness was attributable to depreciation in non-land prices (-0.6% y/y) and prices for new homes in Calgary (-0.6% y/y). Edmonton's NHPI supported the small monthly gain, with prices up 0.3% y/y. Growth in land prices across Alberta have decelerated to 0.8% y/y.

Building Permits

Building Code changes pushes up permit values

Building permits increased by 53% to a record $2.2 billion, 18% above the last peak in May 2007. It appears that Alberta builders rushed to take out permits in October before changes to the Building Code came into effect in November. The value of residential construction permits surged 63% to $1.3 billion. Gains were driven by permits for multi-unit dwellings, mostly in Calgary. Non-residential permits rose 39% to $850 million, due to increases in applications for commercial and institutional permits. Despite the spike in October, building permits were down 4% year-to-date.

West Texas Intermediate and the Canadian Dollar

Oil prices and the Loonie fall

Global oil prices continue to fall due to the prolonged oversupply and inventory overhang. West Texas Intermediate (WTI) fell from US$40/bbl to US$36/bbl in under a week, reaching a new seven year low. Oil prices were also pressured down after OPEC's failed to reach production quotas at their December 4th meeting. The oversupply of crude saturating the market has pushed global inventories to historic levels and the International Energy Agency expects global demand growth will slow down next year and the market will remain oversupplied into 2016.

The Loonie has tumbled alongside crude oil prices, falling from 75 US cents/C$ to 73 US cents/C$ in under a week, its lowest level in over a decade.

Chart 1: Falling WTI price drags down Loonie

WTI Spot price and Canadian dollar

Source: Haver Analytics; Bank of Canada

Contact

Nachum Gabler 780.638.3238

Please see the *Alberta Economy- Indicators at a Glance* for a snapshot of Alberta indicators.

Alberta Government

December 11, 2015

Treasury Board and Finance

Economics and Revenue Forecasting